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# *Embracing the* **NEW CENTURY**

*Palo Alto*  
**1998**  
**2010**  
Comprehensive  
**P L A N**



1998)



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## 4 Housing

### Vision Statement

**P**alo Alto will aggressively pursue a variety of housing opportunities that enhance the character, diversity and vitality of the City. The City is committed to increasing the development of affordable and market-rate housing. Existing housing, particularly rental units, will be conserved and rehabilitated or replaced. Palo Alto will continue its strong commitment to supporting agencies that assist households with special needs. The City will foster an environment free of discrimination and the barriers that prevent choice in housing. It will place special emphasis on family housing and housing that addresses the health care, child care, transit, recreation and social service needs of all Palo Alto residents.

## Introduction

State law mandates that the Housing Element contain specific data, address certain topics, and establish a workable strategy for meeting the City's share of the region's housing needs. The Element must be periodically reviewed for certification by the State Department of Housing and Community Development. Because much of the information required for State certification is statistical and must be updated every five years, Palo Alto has prepared a separate Technical Document that supplements the Comprehensive Plan. This document includes the data required for State compliance, is incorporated by reference as part of the Comprehensive Plan and is included in the appendix.

This chapter begins with a synopsis of the more detailed information found in the Technical Document. It proceeds with the City's housing goals, policies, and programs. Additional text on the City's programs, including targets for housing production and conservation, may be found in the Technical Document.

## Existing Conditions

### POPULATION

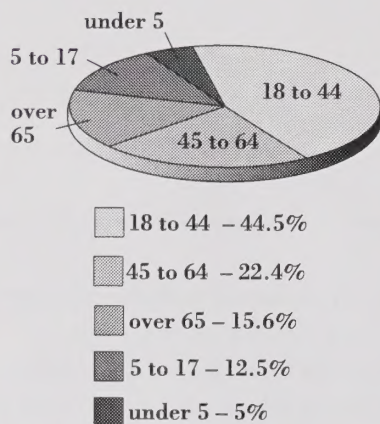
Palo Alto's population has been very stable during the last 25 years. The number of residents was virtually the same in 1995 as it was in 1970—roughly 56,000. While the average number of people per household declined from 2.7 in 1970 to 2.24 in 1990, the number of housing units increased.

Although many ethnic groups are represented in Palo Alto, 82 percent of the population is white. Asians and Pacific Islanders make up 10 percent of the population, while 5 percent are Hispanic and 3 percent are black.

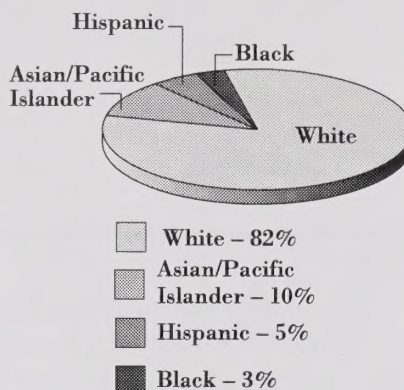
The applicable State Housing Element law is Article 10.6 of the Government Code



## 1990 Population by Age



## 1990 Population by Race



Source: 1990 US Census

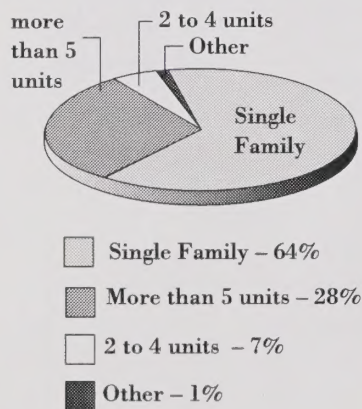
The percentage of Palo Alto residents over 65 has been on the rise, but increases have also been noted in children under five and women of child-bearing age.

While the bulk of Palo Alto's population is white, racial diversity has increased in the last decade.

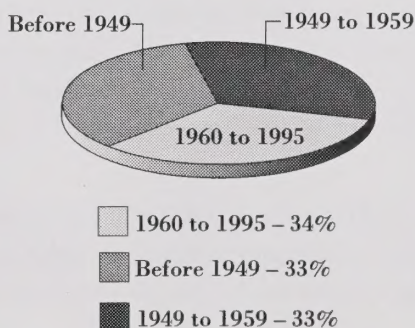
See page C-2 for school enrollment information

The median age of Palo Alto's population has increased dramatically over the last few decades. In 1970, the median age was 29.5 for men and 33.7 for women. By 1990, these figures had increased to 36.7 and 40.0 respectively. The increase in median age has been accompanied by an increase in Palo Alto's senior population; the number of persons over 65 increased from 10 to 16 percent of the population between 1970 and 1990. The number of older adults is expected to continue to increase in the future. At the other end of the age spectrum, the number of children under five and the number of women at child bearing age have both increased markedly after declining during the 1970s and 1980s. This has resulted in an increase in the number of children entering child care and school.

## 1990 Housing Units by Type



## 1990 Housing Units by Age



Source: 1990 US Census

The predominant housing type is single family detached units.

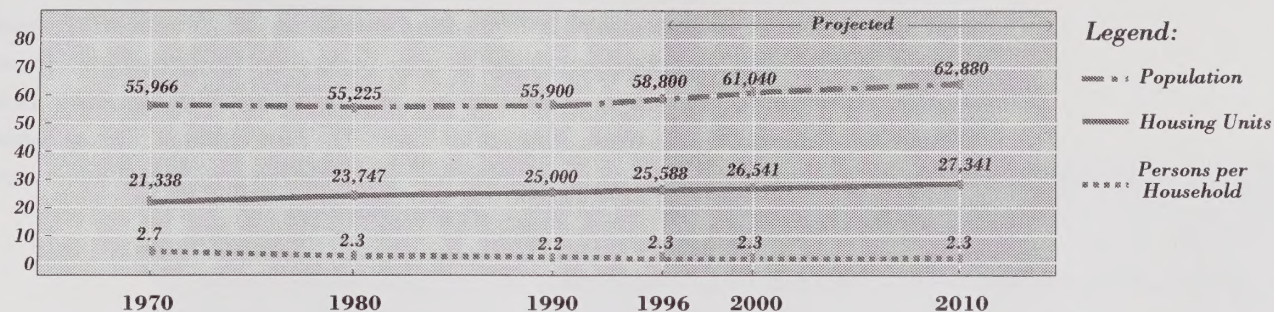
Housing production was highest in the 1950's and has slowed since, primarily due to lack of vacant land.

## HOUSING UNITS

As of December 31, 1996, there were 25,588 housing units in Palo Alto. This was an increase of 400 units from 1990. About one-third of the City's homes were built during the 1950s, the period of greatest housing construction in Palo Alto's history. Since 1960, the rate of production has generally declined. From 1970 to 1980, homes were added at a rate of about 240 units per year. By the 1990's, the annual rate had decreased to less than 50 units per year as a result of economic factors.



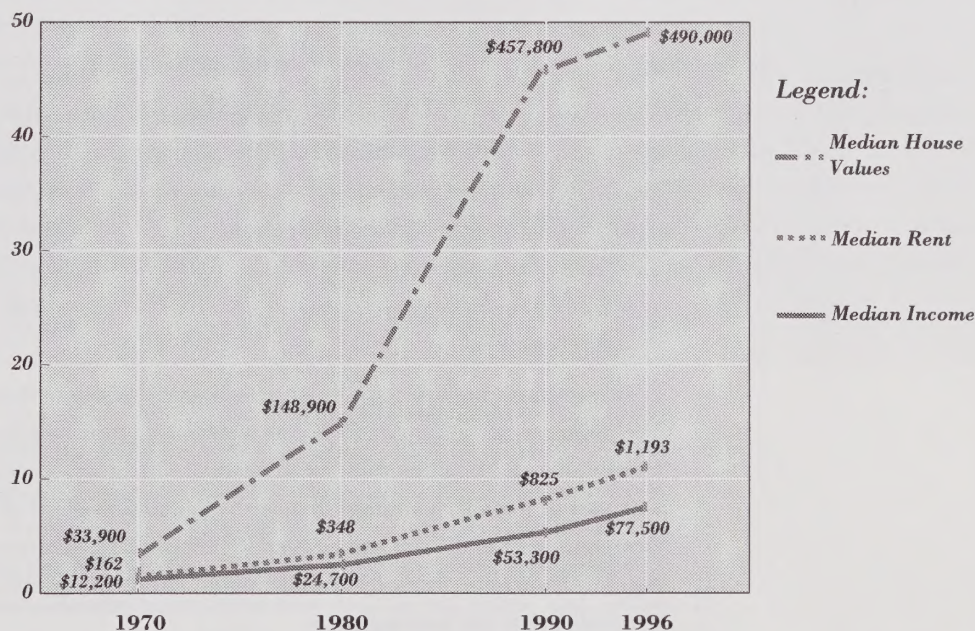
## Trends in Population, Household Size and Household Units



Source: 1970, 1980 & 1990 figures from US Census; 1996 figure from State Department of Finance; and 2000 & 2010 projections from the Palo Alto Planning Division

Population, household size, and the number of housing units have remained fairly constant since 1970, and are projected to increase only slightly; however, income and housing costs have risen dramatically.

## Trends in Income, Rent and House Values



Source for Median House Values: Realtfacts and West Valley Realtors Association  
 Source for Median Rent: 1970, 1980, 1990 figures from US Census; 1996 figure from City of Palo Alto Planning Division  
 Source for Median Income: 1970, 1980, 1990 figures from US Census; 1996 figure from US Dept. of Housing & Urban Development.

## INCOME

Palo Alto is an affluent community with incomes considerably higher than the regional average. In 1996, median family of four income was \$77,500, compared to \$67,400 in Santa Clara County. However, the City also has a significant number of lower-income households. In 1990, about 20 percent of Palo Alto's households reported an income of under \$25,000 which was almost the same proportion as in the County as a whole. There is also a disparity between income levels based on the type of household. For instance, the average income for married couples in 1990 was nearly three times the figure for female-headed single parent households.



## HOUSING COST

Housing in Palo Alto is expensive. The median sales price for a single family detached home in 1996 was \$490,000. Using traditional underwriting criteria, an annual income of approximately \$134,000 would be required to purchase such a home. Even the median priced condominium, at \$264,000, would require an annual income of \$79,000. Home ownership is only affordable to households with above moderate incomes. The cost of rental housing has also risen sharply. At the same time, vacancy rates have remained low, traditionally less than 3 percent for both owner- and renter-occupied units.

## HOUSING OPPORTUNITIES

Palo Alto has a limited supply of vacant residential land. Most of the City's development potential consists of infill on small vacant lots, redevelopment of existing properties, and new mixed use projects. The City will continue to seek opportunities to rezone commercial lands to residential and strongly discourage the conversion of residential lands to commercial. Within the Centers, mixed use will be encouraged to provide housing opportunities. Although the City's 1978 Zoning Ordinance recognizes mixed use as a viable housing type, the lack of clear mixed use zoning regulations has been an obstacle to housing production in such projects. This Comprehensive Plan is receptive to innovative ideas for creating new housing, including mixed use zoning, the use of smaller lots, live/work projects, and other emerging housing prototypes.

Palo Alto has been very active in promoting and supporting affordable housing. Since the late 1960s, the City has aggressively used local, state, and federal housing assistance programs for very low-, low-, and moderate- income households. These programs resulted in the construction of 745 subsidized affordable units in the 1970s, 196 in the 1980s, and 79 through 1995. Curtailment of many state and federal programs during the 1980s and 1990s has meant fewer affordable housing opportunities and greater reliance on local funding to supplement state and federal programs.

Local programs include the City's Inclusionary Housing or Below Market Rate (BMR) program. The program was initiated in 1974 as a means of increasing the supply of housing affordable to individuals and families with low to moderate incomes. It continues to be an extremely important part of the City's strategy to meet its housing needs. The City also maintains a "Housing Development Fund" that can be used for acquisition, construction, and rehabilitation of housing. The funds are primarily available to nonprofit groups who agree to maintain the long-term affordability of the housing units.

## HOUSING NEEDS

State Housing Element law requires that localities provide for their "fair share" of the region's housing need. The Association of Bay Area Governments (ABAG) determined that Palo Alto's projected need for 1988-1995 was 1,809 units. This number has been reduced to 1,244 by new construction through the end of 1995. It was originally intended that ABAG would issue new numbers for the time period after 1995. For various reasons, generally related to the State budget and recession, ABAG has not produced new figures. The State legislature in 1996 extended the date for ABAG to issue new numbers to 1999. In the absence of revised figures, the 1988-1995 timeframe has been extended for the foreseeable future. The City's fair share housing numbers are presumed to be extended through 2002, covering the five-year period (1997-2002) of this Housing Element. Should new numbers be received, the Housing Element will be updated to reflect the new requirements.



## Housing Needs by Income Level

In addition to projecting overall housing needs, ABAG also projects housing needs by income category. The intent of this action is to equitably distribute households by income category so that no one City or County is "impacted" with a particular income group. Four income categories are defined by the federal government and are used by ABAG, as defined in the following box.

### Standard definitions of Household Income (1997)

**Very Low-Income:** Households with incomes between 0 and 50 percent of areawide median family income. 1997 limit for a family of 4: \$35,100.

**Low-Income:** Households with incomes between 51 and 80 percent of areawide median family income. 1997 limit for a family of 4: \$56,160.

**Moderate-Income:** Households with incomes between 81 and 120 percent of areawide median family income. 1997 limit for a family of 4: \$84,240.

**Above Moderate-Income:** Households with incomes greater than 120 percent of areawide median family income: over \$84,240.

Some agencies and programs use different definitions of household income. In Palo Alto, the following modifications applied in 1997: For the HUD Section 8 rental programs and the CDBG Program, the 1997 limit for a family of four was \$43,500. For the Low-Income Housing Tax Credit and HUD HOME Programs, the Low-Income maximum is 60 percent of the areawide median. The 1997 limit for a family of four was \$42,120. For the City of Palo Alto BMR Program, Moderate-Income for home ownership is 80 to 100 percent of the areawide median. The 1997 limit for a family of four was \$70,200.

The table below shows how the City of Palo Alto's 1990 Housing Element allocated the ABAG new construction need. Since 1990, the 353 units that were added fell short of the 1,597 units called for by ABAG. The shortage was greatest for very low-, low-, and moderate-income levels. Between January 1, 1990 and December 31, 1995, 62 units affordable to very low-income households, 24 units for low-income households, 48 units for moderate-income households, and 219 units for above moderate-income households were built in the public and private sectors. The revised new construction need from 1996 through 2002 is 1,244 units.

**ABAG Fair Share  
Housing Needs Table**

Income Level (Standard Definition)	1990-2002 Need	1990-1995 Production	Unmet Need
Very Low	338	62	276
Low	232	24	208
Moderate	347	48	299
Above Moderate	680	219	461
<b>TOTAL</b>	<b>1,597</b>	<b>353</b>	<b>1,244</b>



# Goals, Policies, and Programs

## HOUSING OPPORTUNITIES

In *Projections 1998*, the Association of Bay Area Governments (ABAG) estimated the Palo Alto/Stanford employment at 90,260 jobs while households numbered 29,280.

See also Policy L-13 and associated programs, and Programs L-10, T-1 and T-3

### **GOAL H-1: A Supply of Affordable and Market Rate Housing That Meets Palo Alto's Share of Regional Housing Needs.**

The Mid-Peninsula area of the San Francisco Bay region has limited housing opportunities relative to the number of jobs. The Comprehensive Plan's policies and programs promote a variety of housing opportunities for all income ranges. Housing diversity will enhance Palo Alto's social and economic strength. A commitment to the increased production of housing for all income levels will help the City continue to be a distinctive, diverse and desirable place to live. Residents will benefit from an increased awareness about housing needs, diversity and opportunities.

#### **POLICY H-1:**

**Meet community and neighborhood needs as the supply of housing is increased.**

Increasing the housing supply meets an important citywide need. However, to be truly beneficial for all Palo Altans, new housing must be designed and located in a way that enhances the character of existing neighborhoods. Increases in the housing supply should be accomplished without diminishing the quality of City services or surpassing the capacity of infrastructure and transportation facilities.

#### **POLICY H-2:**

**Consider a variety of strategies to increase housing density and diversity in appropriate locations.**

#### **PROGRAM H-1:**

*Allow for increased housing density immediately surrounding commercial areas and particularly near transit centers.*

Palo Alto has a variety of commercial areas, two multi-modal transit centers, and a network of bus routes serving its commercial areas. Allowing increased density in these areas achieves a number of important objectives. It allows the housing supply to be increased while minimizing visual and physical impacts on nearby lower density areas. It also encourages the use of transit, reduces auto dependency, and supports the City's air quality goals.

#### **PROGRAM H-2:**

*Consider enacting minimum density requirements in multiple family zones.*

Most recent housing developments in Palo Alto have not been constructed to the maximum densities allowed by zoning. Market conditions, bank financing, and insurance requirements have favored the construction of single family detached houses. To increase housing supply and obtain densities closer to those envisioned by zoning policies, the City should explore requiring minimum densities in the multiple family zones. This is particularly important given the limited number of vacant multifamily sites remaining in Palo Alto and their potential contribution towards meeting the City's housing needs.

#### **PROGRAM H-3:**

*Evaluate zoning incentives that encourage the development of diverse housing types, including smaller, more affordable units and two- and three-bedroom units suitable for families with children.*



A variety of housing types is desired in Palo Alto to address the broad spectrum of needs. By providing incentives to develop housing units of less than 1,200 square feet, the affordability and number of potential units can be increased. Incentives to develop such housing should be pursued. Incentives might include reduced parking or open space requirements, density bonuses, reduced lot coverage standards, or City financial participation. Certain locations near schools, parks, and quiet streets provide the best sites for households with children.

Nontraditional housing, such as courtyard units and small lot single family homes, promote interaction among residents, provide privacy, and allow for joint use of land and facilities.



**PROGRAM H-4:**

*Evaluate the provisions for second dwelling units in single family areas to determine how additional units might be provided.*

Second units can provide additional rental housing that is both desirable and unobtrusive. The current cottage regulations should be evaluated to determine how additional units might be provided through increased flexibility in the regulations such as reduced parking requirements, limiting the maximum size of the unit, allowing for attached units, and reducing the minimum lot size requirement. Appropriate development controls and review procedures should ensure compatibility with adjacent properties.

**PROGRAM H-5:**

*Create a Planned Development zone that allows the construction of smaller lot single family units and other innovative housing types without the requirement for a public benefit finding.*

A designation similar to the existing "Planned Community" zone would allow flexibility in design while providing a highly inclusive public review process. Because there is such a strong need for housing in the City, the requirement for a public benefit finding can be eliminated if the project significantly increases the housing supply over what would otherwise be allowed by existing zoning. While new zoning regulations are anticipated to implement the "Village Residential" land use designation, it is not possible to predict all of the prototypes the market will invent. Therefore, a flexible zoning designation is desirable.

**PROGRAM H-6**

*Amend zoning regulations to permit residential lots of less than 6,000 square feet where smaller lots would be compatible with the surrounding neighborhood.*

Many Palo Alto neighborhoods have lots that are smaller than the 6,000 square foot minimum currently required by zoning. Allowing additional smaller lots would result in more units and create greater housing opportunities.

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See also Program L-13 on  
"Village Residential"  
zoning

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**PROGRAM H-7:**

*Modify parking requirements to allow higher densities and reduced housing costs in areas appropriate for reduced parking requirements.*

The President Hotel and Laning Chateau are good examples of high density housing projects that do not have parking.

**POLICY H-3:**

*Support the designation of vacant or underutilized land for housing.*

**POLICY H-4:**

*Encourage mixed use projects as a means of increasing the housing supply while promoting diversity and neighborhood vitality.*



Photo courtesy of Carrasco & Associates (taken by Jane Lidz)

Commercial areas and parking lots offer some of the best opportunities for new housing. Residences can be built over stores, offices, parking lots and even some industrial buildings. Parking lots may be able to serve a dual purpose, serving businesses by day and residences by night. Mixed use projects should not be limited to “vertical” integration in a single building, but should also include locations where residential and commercial uses exist side by side.

This project, built in the early 1980s, is across the street from the Downtown Multi-modal Transit Station. It was constructed on the site of a public parking lot, and includes two levels of underground parking (one private and one public), commercial ground floor uses, and residential units above. It makes a significantly greater contribution to Downtown urban design and vitality than the former surface parking lot.

See also Program L-10

See also Goal G-5 and associated policy and programs, and Programs L-22, L-25, L-30, and L-32 for references to specific coordinated area plans

**PROGRAM H-8:**

*Evaluate the effectiveness of existing incentives that encourage mixed use and residential development on commercially zoned land and determine additional incentives to be provided.*

The City’s current zoning regulations have been ineffective in encouraging mixed use projects and often require many variances before mixed use development can be approved. The regulations should be evaluated and revised to improve clarity and provide new incentives for mixed use.

**PROGRAM H-9:**

*Use coordinated area plans and other tools to develop regulations that support the development of housing above and among commercial uses.*

Coordinated area plans are intended to provide more specific guidance for development in areas where change is desired.



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**PROGRAM H-10:**

*Encourage the development of housing on parking lots by adopting incentives that will lead to housing production while maintaining the required parking.*

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**PROGRAM H-11:**

*Eliminate the requirement for Site and Design review for mixed use projects.*

Presently, mixed use projects require site and design review by the Architectural Review Board (ARB), Planning Commission, and City Council. Eliminating this requirement would expedite project approval and remove an impediment to housing production. Projects would still be subject to ARB review, providing opportunity for public comment.

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**POLICY H-5:**

**Discourage the conversion of lands designated as residential to nonresidential uses, unless there is no net loss of housing potential on a community-wide basis.**

Residentially-zoned land is a valuable commodity that should be preserved whenever possible. Since the 1960s, Palo Alto has changed the zoning of many parcels from non-residential to residential. The reverse situation—rezoning residential land for other purposes—should only be approved when new housing opportunities that exceed the number of potential units lost can be ensured.

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**POLICY H-6:**

**Support the reduction of governmental and regulatory constraints to the production of affordable housing.**

Zoning requirements, development review and approval procedures, fees, and building codes and standards will be reviewed regularly to eliminate barriers to affordable housing construction.

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**PROGRAM H-12:**

*Where appropriate and feasible, allow waivers of development fees as a means of promoting the development of housing affordable to very low- and low-income households.*

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## HOUSING CONSERVATION

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### **GOAL H-2: Conservation and Maintenance of Palo Alto's Existing Housing Stock and Residential Neighborhoods.**

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Palo Alto has many fine neighborhoods with a variety of housing styles and types. Conserving and maintaining this housing will help preserve the character of the City's neighborhoods.

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**POLICY H-7:**

**Promote the rehabilitation of deteriorating or substandard residential properties.**

The general condition of the housing stock in Palo Alto is very good, partially due to the high price of homes. However, there are isolated structures and small sections of the community that may begin to turn downward unless the normal processes of deterioration are reversed. These areas need rehabilitation now, before major problems arise.

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**PROGRAM H-13:**

*Continue the citywide property maintenance, inspection, and enforcement program.*

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See also Policy B-18

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Between 1978 and 1995, the city rezoned 46 sites from commercial to residential while only 10 sites were changed from residential to commercial.

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The State Comprehensive Historic Preservation Plan encourages the preservation of historic housing. See Goal L-7 and associated policies and programs

**PROGRAM H-14:**

*Enact development regulations that encourage rehabilitation of historic residential buildings, remodeling of older multifamily rental buildings and retention of smaller single family residences.*

The City promotes code inspection as a service to residents and a deterrent to neighborhood deterioration. The City formerly operated a voluntary program to assist very low- and low-income households in making repairs. Although the program was significantly curtailed in 1990 due to the limited demand from eligible homeowners, it could be reinstated in the future if demand warrants.



On-going maintenance and inspection programs promote health and safety and can extend the useful life of housing units.

**POLICY H-8:**

**Maintain the number of multifamily rental housing units in Palo Alto at no less than its current level while supporting efforts to increase the rental supply.**

Palo Alto has a limited supply of rental housing relative to market demands. Very few private market rental projects have been built since the 1960s. Not surprisingly, the City's residential vacancy rate has consistently been below three percent over the last 20 years. Recent sharp increases in rents indicate that the City should continue to take the steps necessary to retain the supply of rental units and encourage the construction of new units.

**PROGRAM H-15:**

*Continue implementation of the Condominium Conversion Ordinance.*

This Ordinance, enacted in 1974, restricts the conversion of apartments to condominiums and thereby helps the City maintain its rental stock. Palo Alto has not had a condominium conversion since 1980.

**PROGRAM H-16:**

*Where a proposed subdivision or condominium would cause a loss of rental housing, grant approval only if at least two of the following three circumstances exist:*

- *The project will produce at least a 100 percent increase in the number of units currently on the site and will comply with the City's Below Market Rate (BMR) program (described in Program H-20); and/or*

Chapter 21.40 of the Palo Alto Municipal Code limits the conversion of rental units to condominiums.



- *The number of rental units to be provided on the site is at least equal to the number of existing rental units; and/or*
- *No less than 20 percent of the units will comply with the City's BMR program.*

Many existing developments in Palo Alto contain units that are smaller and more affordable than those that would be built today. This program limits the removal of such units unless there is a significant net gain of housing or a replacement of rental units or affordable units. The program applies to the most recent number of rental units on the site whether or not they have been demolished. All units after the first unit are considered rentals.

#### **POLICY H-9:**

**Encourage community involvement in the maintenance and enhancement of public and private properties and adjacent rights-of-way in residential neighborhoods.**

#### **PROGRAM H-17:**

*Create community volunteer days and park cleanups, plantings, or similar events that promote neighborhood enhancement.*

#### **PROGRAM H-18:**

*Conduct City-sponsored cleanup campaigns for public and private properties.*

Palo Alto residents take pride in the well-kept appearance of their neighborhoods and City. Their involvement and participation in local issues is one of Palo Alto's hallmarks.



Photo courtesy of City of Palo Alto Human Services Division

## **HOUSING DIVERSITY**

**GOAL H-3:** **Housing Opportunities for a Diverse Population, Including Very low-, Low- and Moderate-income Residents, and Persons with Special Needs.**

The City will use public and private resources to provide housing that meets the City's "fair share" of the region's housing needs. These needs can not be met by the private market alone. Local, state, and federal resources will help the City achieve this goal.

#### **POLICY H-10:**

**Encourage and foster diverse housing opportunities for very low-, low-, and moderate-income households.**

**POLICY H-11:**

**Provide for increased use and support of tenant/landlord educational and mediation opportunities.**

**PROGRAM H-19:**

***Implement the "Action Plan" of the City of Palo Alto's Consolidated Plan or its successor documents.***

The Consolidated Plan is a required document for the receipt of federal funds through the U.S. Department of Housing and Urban Development (HUD). It outlines actions to be taken to provide housing opportunities for very low- and low-income households. The overall Plan is updated every five years. The Plan and the Annual Action Plan are adopted by the City Council.

**PROGRAM H-20:**

***Continue implementation of the City's "Below Market Rate" (BMR) Inclusionary Housing Program that requires at least ten percent of all housing units built in for-sale projects of three units or more and rental projects of five units or more to be provided at below market rates to very low-, low-, and moderate-income households.***

See text box below

**The Palo Alto Below Market Rate ("BMR") Program**

Developers of for-sale housing projects with three or more units or rental projects of five or more units, must comply with Palo Alto's BMR requirements. For an application to be determined complete, the developer must agree to one or a combination of the following alternatives:

**For-Sale Units:**

For each ten units developed, not less than one of the units must be provided as a BMR unit. The BMR units must be comparable to other units in the development. The initial sales price for the BMR units should be consistent with what a household making 80 to 100 percent of the Santa Clara County median income can afford in housing expenses, such as mortgage payment, taxes, insurance and association dues. Further, the price should be sufficient to cover the developer's estimated direct construction and financing cost of the unit, exclusive of land, marketing, off-site improvements, and profit. If on-site BMR units are not feasible, the second priority is for off-site units. In such cases, one BMR unit must be provided for each nine units developed, or vacant land suitable for affordable housing must be provided to the City. Off-site units may be new or rehabilitated existing units and must be pre-approved by the City. The third priority is a cash payment in-lieu of providing BMR units. The in-lieu payment is equal to 5 percent of the greater of the actual sales price or fair market value of each unit sold and must be paid to the City's Housing Development Fund at the time of first sale or transfer of the unit.

**Rental Units:**

At least 10 percent of the units in a rental project must be provided as BMR units to households earning between 50 and 80 percent of the County median income. The rents are initially established based on HUD Section 8 (or its successor program) Fair Market Rent and may be adjusted annually based on one-third of the Consumer Price Index or other comparable formula agreed to by the City. Alternatives include payment by the developer of an annual in-lieu fee to the City's Housing Development Fund based on the difference between the initial Section 8 Fair Market Rent and the market rate rents of the units, or a one-time fee based on 5 percent of the appraised value of the rental portion of the project.



Preservation of existing housing units, particularly affordable units like these at Atrastradero Park, is a key component of the City's housing programs.



#### **Sites Larger Than Five Acres:**

Projects on sites larger than five acres in size, except in the OS District, will provide a 15 percent BMR component.

#### **Subdivision of Vacant Land to be Sold Without Development:**

Vacant land that is subdivided into three or more lots and sold without construction of housing must provide buildable parcel(s) equivalent to 10 percent of the development to the City or the City's designee. The land is to be used for the purpose of developing affordable housing units. The City may sell the property, with the funds placed in the City's Housing Development Fund for future housing development. A comparable in-lieu fee may be agreed to by the City and the developer based on 5 percent of the greater of the actual sales price or fair market value of the improved lots with houses.

#### **Fractional Units:**

For projects of ten or more units, an in-lieu payment to the City's Housing Development Fund may be made for the fraction of units over multiples of ten for which an actual BMR unit is not provided. The in-lieu fee percentage rate will be the same as that ordinarily required for the project, usually 5 percent. For-sales or rental projects of less than ten units, the BMR requirement may be satisfied by the payment of an in-lieu fee on each of the units using a sliding scale beginning at 3.25 percent for three for-sale units and 3.75 percent for five rental units, and increasing by 0.25 percent for each additional unit to 5 percent for ten or more. The in-lieu fee percentage rate will be applied to the greater of the actual sales price or fair market value of the units. The fee on for-sale projects will be paid upon the sale of each unit in the project excluding any BMR units. For rental projects, the fee shall be paid prior to occupancy.

#### **Equivalent Alternatives:**

The BMR program objective is to obtain actual housing units or buildable parcels within each development rather than off-site units or in-lieu payments. However, the City may consider equivalent alternatives to any of the above provisions.

See Map H-1 for the location and distribution of below-market rate housing in Palo Alto

The City of Palo Alto's BMR program is intended to increase the supply of for-sale housing and rental housing for individuals and families whose incomes are less than the median income. Since the program was initiated in 1974, 143 for-sale units and 33 rental units have been created. Continued affordability of the units is a major goal of the program. Deed restrictions control the resale price and limit rent increases. Occupancy for BMR units is determined according to City Council guidelines. The Palo Alto Housing Corporation, under contract to the City, has administered the program since its inception.

**PROGRAM H-21:**

*Adopt a revised density bonus program that allows the construction of up to three additional market rate units for each BMR unit above that normally required, up to a maximum zoning increase of 25 percent in density. Allow an equivalent increase in square footage (Floor Area Ratio) for projects that meet this requirement.*

**PROGRAM H-22:**

*Recognize the Buena Vista Mobile Home Park as providing low-, and moderate-income housing opportunities.*

**POLICY H-12:**

**Support agencies and organizations that provide shelter, housing, and related services to very low-, low-, and moderate-income households.**

The City should work with nonprofit housing organizations and the local development community to ensure that all affordable housing, including family housing and units for seniors on fixed incomes, remains affordable over time. Palo Alto is committed to providing continued support to local groups that serve the housing needs of lower income households.

**PROGRAM H-23:**

*Promote legislative changes and funding for programs that facilitate and subsidize the acquisition, rehabilitation, and operation of existing rental housing by housing assistance organizations, nonprofit developers, and for-profit developers.*

**PROGRAM H-24:**

*Use existing agency programs such as Senior Home Repair to provide rehabilitation assistance to very low- and low-income households.*

**PROGRAM H-25:**

*Support the preservation of existing group homes and supported living facilities for persons with special housing needs. Assist local agencies and nonprofit organizations in the construction or rehabilitation of new facilities for this population.*

**POLICY H-13:**

**Pursue funding for the construction or rehabilitation of housing that is affordable to very low-, low-, and moderate-income households. Support financing techniques such as land banking, federal and state tax credits, mortgage revenue bonds, and mortgage credit certificates to subsidize the cost of housing.**

In the past, the development of affordable housing has relied primarily on federal and state funding sources. While the City should continue to pursue such funds, local funding options should be broadened.

See Map H-2 for the locations and distribution of subsidized rental housing in Palo Alto



**PROGRAM H-26:**

*Maintain a high priority for the acquisition of new housing sites, acquisition and rehabilitation of existing housing, and housing-related services in the allocation of Community Development Block Grant (CDBG) funds or similar programs.*

**PROGRAM H-27:**

*Support and expand the City's Housing Development Fund or successor program.*

Palo Alto has established its Housing Development Fund largely from housing mitigation fees from commercial and industrial developers, and residential developers who provide funds in-lieu of BMR units. Other housing-related revenues also have been placed in the fund. With funding becoming more limited, the City should seek to expand opportunities for additional funds.

**PROGRAM H-28:**

*On an on-going basis, seek funding from state and federal programs, such as the HOME program and HUD Section 202 and 811 (or successor programs), to support the development or rehabilitation of housing for very low-, low-, or moderate-income households.*

**PROGRAM H-29:**

*Continue to require developers of employment-generating commercial and industrial developments to contribute to the supply of low- and moderate-income housing.*

Commercial and industrial development generates new jobs, thereby increasing the demand for housing. Some of these jobs will be filled by lower-income wage earners, increasing the demand for more affordable units. Developers who contribute to the current jobs/housing imbalance and the accompanying housing shortage should assist the City in solving this problem. This has been accomplished by a City Ordinance that requires developers of commercial and industrial projects of more than 20,000 square feet of new floor area to either provide housing units or pay an in-lieu fee to the Housing Development Fund for any new floor area.

**POLICY H-14:**

**Encourage the preservation, rehabilitation, and construction of Single Room Occupancy (SRO) hotels and SRO housing.**

Single Room Occupancy housing like the 107-unit Alma Place project provides low-income housing to working adults and seniors on limited incomes.



Chapter 16.47 of the Palo Alto Municipal Code requires provision of a housing unit or in-lieu fee for new commercial/ industrial floor space greater than 20,000 square feet.

SROs are hotels or residential structures that provide short-term and transitional housing. They may or may not have kitchens or bathrooms within each individual unit. Palo Alto has three SROs (Barker, Craig, and Palo Alto Hotels) and they are a valuable, necessary part of the housing stock. A fourth SRO with 107 rooms and sponsored by the Palo Alto Housing Corporation opened for occupancy in March of 1998. The City should work with SRO owners to ensure the continued viability of these projects and should support opportunities for new SROs in appropriate locations.

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**POLICY H-15:**

**Support opportunities for Shared Housing and other innovative housing forms to promote diversity and meet the needs of different household types and income levels.**

Shared housing for seniors and single parent households has been supported through a portion of the City's Community Development Block Grant (CDBG) Funds. Other housing types might include co-housing and limited equity partnerships.

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**POLICY H-16:**

**Support housing that incorporates facilities and services to meet the health care, transit, or social service needs of households with special needs, including seniors and persons with disabilities.**

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**POLICY H-17:**

**Support family housing that addresses resident needs for child care, youth services, recreation opportunities and access to transit.**

Meeting the housing needs of seniors may require selecting sites near shopping areas, social activities, medical services, and transit lines. Housing needs for people who are physically disabled must be addressed in the design of all projects. Other groups with special needs include homeless persons, persons with AIDS, people with emotional or mental disabilities, and victims of domestic abuse. Family housing may require locations near schools and parks and provisions for child care. Amenities for youth, such as transportation and recreation, should be accommodated.

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**POLICY H-18:**

**Support legislation, regulatory changes, federal funding, and local efforts for the permanent preservation of HUD-assisted very low- and low-income units at risk of conversion to market rate housing or loss of federal rental assistance.**

Palo Alto has 728 units in 13 projects of very low- and low-income housing that are to varying degrees subject to increases in rents or possible conversion to market rate housing. The future of the HUD Section 8 Program and its funding is uncertain. Preservation of these units as affordable housing is a priority and will require coordination and cooperation, as well as imaginative solutions.

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**POLICY H-19:**

**Support the provision of emergency shelter, transitional housing and ancillary services to address homelessness.**

Emergency shelters located in places of worship or National Guard Armory sites provide immediate, emergency short-term housing. There is also a need for transitional housing with supportive services to bridge the gap between emergency beds and community reintegration. The types of services that are most helpful are the basic necessities of food, clothing, mail, job



training, counseling, case management, payee services, physical and mental health services, vocational training, job placement and permanent, affordable housing.

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**POLICY H-20:**

**Provide leadership in addressing homelessness as a regional issue.**

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**POLICY H-21:**

**Work closely with appropriate agencies in the region to develop and implement policies and programs relating to homelessness.**

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**PROGRAM H-30:**

*Continue to participate in the Santa Clara County Homeless Collaborative as well as work with adjacent jurisdictions to develop additional shelter opportunities.*

The Homeless Collaborative provides a regional approach to homelessness prevention based on the federal continuum care model.

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**PROGRAM H-31:**

*Continue to participate with and support agencies addressing homelessness.*

## FAIR HOUSING

**GOAL H-4:** An End to Housing Discrimination on the Basis of Race, Religion, National Origin, Age, Sex, Sexual Orientation, Marital Status, Physical Handicap, or Other Barriers that Prevent Choice in Housing.

Palo Alto has a long-standing record of supporting and working towards the elimination of all barriers to housing. Discrimination in any form is not acceptable. The City is committed towards improving access to housing for all of its citizens.

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**POLICY H-22:**

**Support programs and agencies that seek to eliminate housing discrimination.**

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**PROGRAM H-32:**

*Work with appropriate state and federal agencies to ensure that fair housing laws are enforced.*

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**PROGRAM H-33:**

*Continue to support groups that provide fair housing services, such as Mid-Peninsula Citizens for Fair Housing.*

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**PROGRAM H-34:**

*Continue the efforts of the Human Relations Commission to combat discrimination in rental housing, including mediation of problems between landlords and tenants.*

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**PROGRAM H-35:**

*Continue implementation of the City's Ordinances prohibiting discrimination in renting or leasing housing based on age, parenthood, pregnancy or the potential or actual presence of a minor child.*

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See also Goal G-3 and associated policies

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Any business displaying this symbol is stating that they operate in conformance with the Federal Fair Housing Act of 1988 as amended.

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Palo Alto Municipal Code Chapter 9.74 prohibits discrimination in renting or leasing housing based on age, parenthood, pregnancy, or the potential or actual presence of a minor child.

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Embracing the New Century

### **GOAL H-5:** Reduced Housing Expenses for Energy

#### **POLICY H-23:**

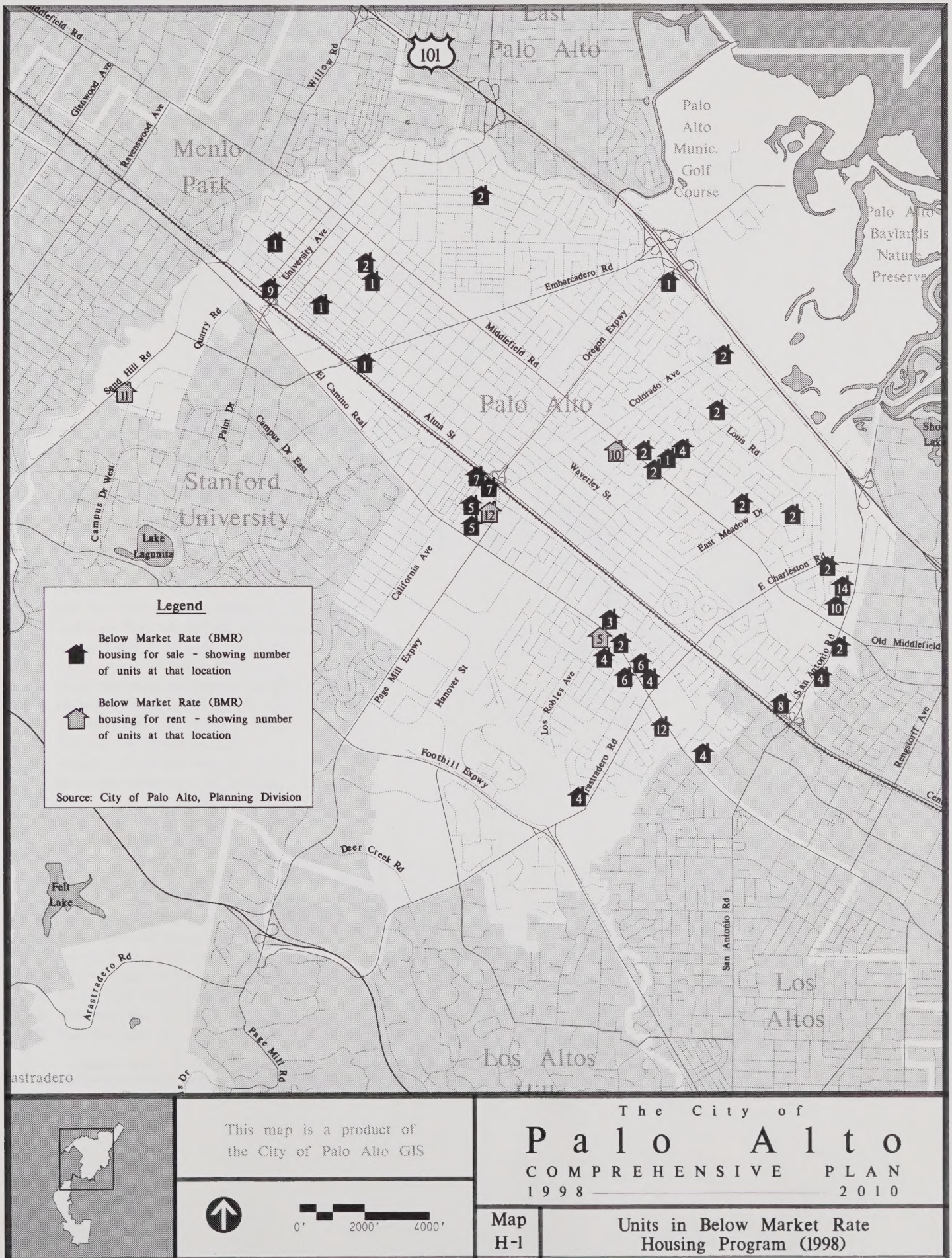
**Reduce the cost of housing by promoting energy efficiency, resource management, and conservation for new and existing housing.**

By owning and operating its own utility system, Palo Alto can offer its residents high quality service at the lowest possible cost. The City has invested in a mix of new energy and water supply projects, provided consumer-oriented conservation and solar services and programs, and promoted operating efficiencies that allow residents to meet their resource needs at a lower cost than in most cities in the region.

#### **PROGRAM H-36:**

*Continue providing staff support and technical assistance in energy conservation and demand management to architects, developers, and utility customers.*

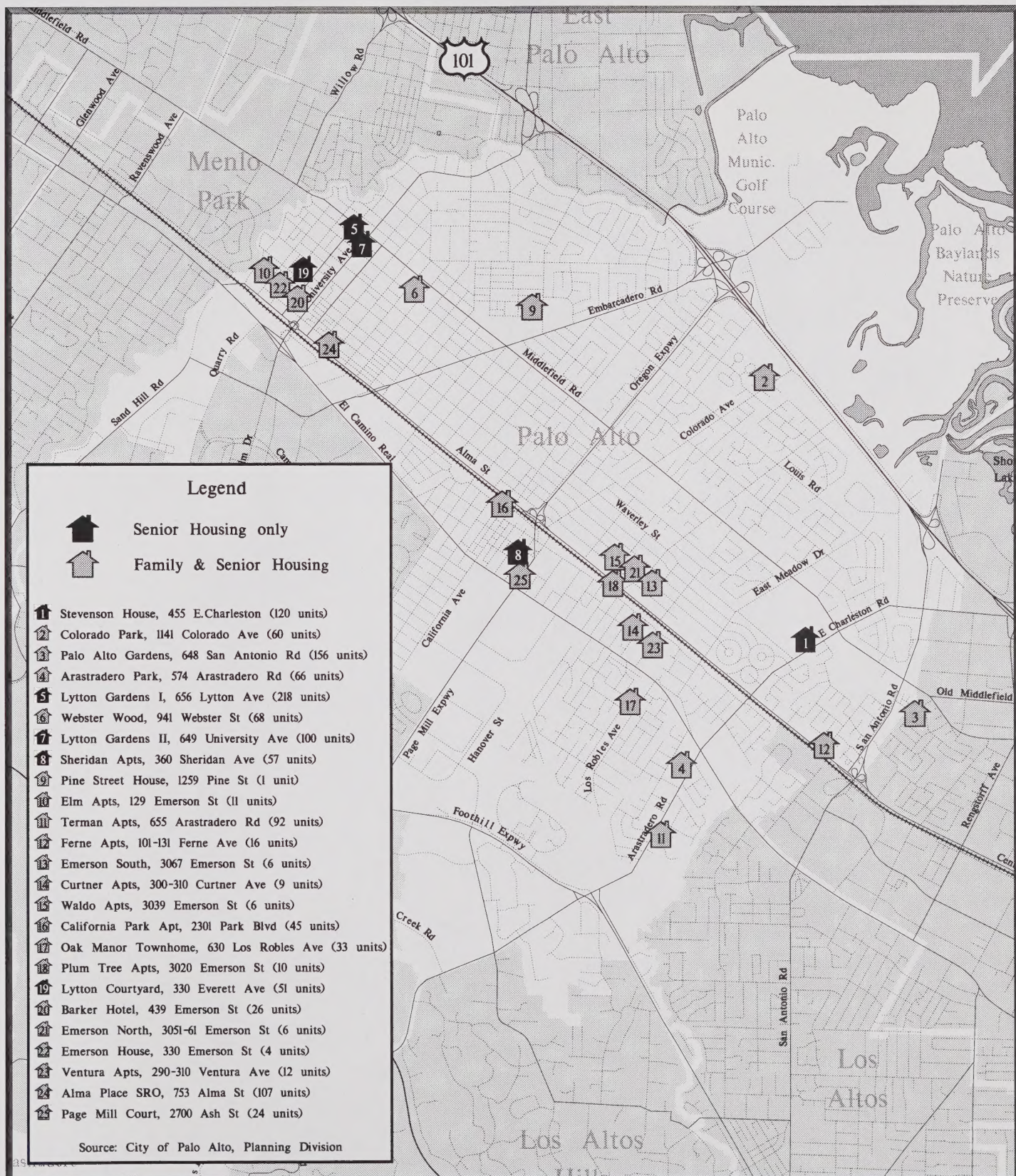












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the City of Palo Alto GIS



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The City of  
**Palo Alto**  
COMPREHENSIVE PLAN  
1998 ————— 2010

Map  
H-2

Subsidized Rental  
Housing (1998)



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